California Energy Commission

IEPR Lead Commissioner Workshop

Retail Rate and Cost Issues with Renewable Development

May 22, 2012 – 10:00 a.m.

AGENDA

Introduction

Suzanne Korosec, IEPR Lead

Opening Comments

Commissioner Carla Peterman, Lead Commissioner

Chair Robert Weisenmiller

Summary of Costs Issues in *Renewable Power in California: Status and Issues* Report

Suzanne Korosec

Panel 1: Presentations and Panel Discussion on Total Cost Estimates, Projections, and Drivers

Moderator: **Al Alvarado**, Energy Commission staff

Panelists:

1. **Richard McCann**, Sr. Associate, Aspen Environmental Group
2. **Jon Pietruszkiewicz**, Renewable Energy Sr. Project Manager, B&V

Questions to consider

1. *What are the latest range of cost estimates for developing and operating different large-scale and DG renewable generation projects in California?*
    a. *How have these costs changed in the last 5 years? Have cost improvements changed the relative value of different renewable?*
    b. *What are the key components and drivers leading to the change in costs? To what extent are these drivers specific to California?*
    c. *What variables affect project cost differentials between developers and regional zones in California? (e.g., transmission upgrades, differences in property tax obligations)*
    d. *What RD&D efforts could help further reduce balance of system costs?*

2. *What other costs must be considered when evaluating the total system cost implications from adding new renewable generation projects, what share of total costs do these soft costs represent? How do these costs vary between the different generation technologies that provide distinct operational services?*
    a. *Financing (interest) costs,*
    b. *Legal costs,*
    c. *Cost for siting licenses and permits,*
    d. *Costs for environmental compliance requirements, and*
    e. *Other cost components?*
3. *What are your cost projections and what scenarios, trends, factors could change the cost projections? (e.g., lawsuit against Chinese manufacturers, nuclear phase out, changes in transmission, EVs, net metering changes)*

Public Comments

Lunch (approximately at 11:45 a.m.)

Panel 2: Cost Consideration in Procurement and Policies to Reduce Costs

Moderator: **David Vidaver**, Energy Commission staff

Panelists:

1. **David Lewis**, Director for Structured Transactions, PG&E
1. **William Walsh**, Manager of Renewable Procurement, SCE
2. **Jim Tracy**, Chief Financial Officer, SMUD
3. **Randy Howard**, Dir. of Power System Planning and Development, LADWP
4. **Jason Simon**, RPS Staff, CPUC
5. **Brendan Pierpont**, Analyst, Climate Policy Initiative

Questions to consider

4. *Have the offer prices for renewable energy/projects come down during the past five years?*
    a. *If so, is this more or less the case for different technologies?*
    b. *Do offer prices currently reflect a competitive market?*
5. *How do utilities decide what constitutes a reasonable price for the contract/set of products being offered?*
6. *What Costs are considered in utility procurement?*
    a. *How are the quantities and costs/value of dependable capacity, curtailment, (avoided) ancillary services, etc. determined?*
    b. *How are resources that provide different products/services (e.g., solar thermal vs. solar PV) compared?*
    c. *How are resources that provide very different products/services compared (e.g., wind vs. solar. vs. biomass) compared?*
7. *To what extent does portfolio fit influence the evaluation of renewable projects?*

a. *If projects/offers are assessed as components of a utility's (future) portfolio, how is the portfolio selected?*
b. *How have portfolio fit considerations influenced, if at all, the types of renewable resources that utilities have targeted by utilities or chosen for contracts?*

8. *To what extent is dispatchable, baseload, renewable generation participating in RFOs?*
    a. *How do costs associated with these resources generally compare with those of intermittent resources?*
    b. *Do existing valuation methodologies properly assess dispatchable, baseload renewable generation in a high intermittent generation setting?*
9. *What work has been done to date by the CPUC on cost containment regulations?*
10. *What cost-containment mechanisms for the RPS might be considered?*
11. *What analysis or analytic capabilities/tools could be developed for use in planning by utilities, the California ISO, or policy-makers that would allow more accurate assessment/control of the costs of reaching 33%?*

Presentation on Rate Design to Mitigate Cost Impacts

Severin Borenstein, Director, UC Energy Institute

Panel 3: Cost Consideration in Rate Design and Policies to Improve Rate Design

Moderator: **Karen Griffin**, Energy Commission staff

Panelists:

1. **Scott Murtishaw**, Adviser to President Peevey, CPUC
2. **Chloe Lukins**, DRA
3. **Stephanie Chen**, Sr. Legal Counsel, Greenlining
4. **Jim Tracy**, Chief Financial Officer, SMUD
5. **Tom Brill**, Director of Strategic Analysis, SDG&E
6. **Amrit Singh**, Sr. Director for Analysis and Rates, PG&E
7. **Russell Garwacki**, Pricing Design & Research, SCE
8. **Severin Borenstein**, Director, UC Energy Institute

Questions to consider

12. *What impact do you expect the costs of reaching renewables goals to have under current rate structures?*
13. *What are the potential rate impacts from funding renewables programs?*
    a. *What is the expected timing of rate impacts?*
    b. *How do rate design elements, such as fixed rate components or tiered rates, impact how renewables program costs are recovered?*
    c. *Do renewables programs affect groups of customers differently than overall rate design?*
14. *How have, and how can, cost containment mechanisms mitigate rate impacts?*

15. *To what extent are certain costs not factored into the decision process? (e.g. concerns about net metering and integration… others)*
16. *What other factors, decisions, programs, such as system upgrades and OTC regulations, are influencing rates? Of the total rate increases you anticipate over the next five years, what proportion are attributable to renewable energy requirements?*
17. *Are the full costs of procurement choices accurately reflected in rates?*
18. *How are ratepayers included in decisions about rate impacts? What has been your experience with customer reactions to proposed renewables rate design? Have programs been re-designed due to customer feedback? What aspects of program design affect customer concerns?*

Public Comments

Adjourn (approximately at 5 p.m.)